**Attachment 2 - Recommended Protocol for Adjustment and Obtaining Bond Increases**

1. Upon completion of a bond adequacy review, the Authorized Officer (AO) prepares and transmits a memo requesting the recommended bond increase amount to the State Office (SO) within 10 business days following the review (including a copy of the Bond Adequacy Review Worksheet with the bond memo). The AO then must input all required data into the Automated Fluid Minerals Support System (AFMSS), including entering the date of transmittal into the appropriate AFMSS screen.
2. The SO then prepares and transmits the additional bond amount required decision letter, including non-compliance and appeals language, to the operator. A carbon copy should be provided to all Field Offices (FO) and District Offices (D) if the requested bond increase is for a statewide or nationwide bond. For good cause, SO may approve a timely request from the operator for an extension of time to comply with the decision letter. The SO tracks bond increase requests and bond increase amounts for reporting purposes.
3. If the operator does not submit a new bond or rider in the correct amount to the SO within 60 calendar days, the SO notifies the appropriate AO of the operator’s non-compliance within the following 10 business days. If the bond is a statewide or nationwide bond, the SO sends electronic notification(s) to all FOs and other SOs with potential exposure to advise them that the operator’s statewide or nationwide bond is inadequate and allow no further APD approvals.
4. For recommended increases to a nationwide bond, the SO needs to change the status of the bond to “restricted” and notify all BLM SOs about the “restricted” status plus update the LR2000 Bond and Surety system, so as to alert anyone viewing the bond that the BLM requested a bond increase from the operator/responsible party, but none has been received.
5. Failure by the Operator to comply with SO’s decision to raise the bond will constitute a minor violation.
6. If the operator fails to comply with the SO’s initial decision to increase the bond, the AO will undertake a progressive enforcement action by issuing an Incident of Non-compliance (INC) to the operator. If the operator does not submit the bond or rider within 20 business days, the AO will inform the SO.
7. If the operator fails to comply with the INC, the AO will then issue a second INC, pursuant to 43 CFR 3163 which adds an assessment due to the operator’s failure to comply with the first INC. The AO sends a copy of the second INC to all applicable record title and operating rights owners. The AO notifies all recipients that continued non-compliance may result in an order to shut down all operations or the assessment of civil penalties. To the extent the infraction is not resolved, the BLM may start proceedings to pursue lease termination, or explore additional enforcement actions under the regulations.
8. If the operator fails to comply with the second INC, the AO must issue a Notice to Shut Down Operation per 43 CFR 3163.1(a)(3). The shutdown of operations will apply to all operations on the leases located within the applicable FO area. The AO will send a copy of the notice to all record title and operating rights owners. The abatement period before BLM plans to shut down all operations should not be less than 20 business days. If the operator does not shut down the wells as ordered, the AO will attach federal seals to all necessary equipment.
9. If the operator fails to comply with the second INC, the AO also must issue a Notice of Proposed Civil Penalties to the operator with a copy sent to all applicable record title and operating rights owners.
10. If the operator fails to respond to the Notice of Proposed Civil Penalties, the AO issues a written order to the current record title owners requiring them to either comply with the bond increase decision, or provide a plan to promptly plug and abandon all the wells that are not capable of producing hydrocarbons in paying quantities associated with the bond.
11. If the record title owners do not respond to the Notice of Written Order, the AO repeats the process similar to the steps in 4, 5, 7, and 8 above.
12. The AO then determines whether the lease(s) is capable of producing hydrocarbons in paying quantities. If the lease(s) is not capable of producing in paying quantities, the AO notifies the SO. The SO may explore lease termination pursuant to the applicable regulations. If the lease(s) is capable of producing in paying quantities, the AO notifies the SO and the SO coordinates with the Office of Solicitor and the Department of Justice to request appropriate enforcement action on the lease(s).
13. The AO has the responsibility to take appropriate action as described in WO IM No. 2012-131, *Entities in Noncompliance with Section 17(g) of the Mineral Leasing Act of 1920*. Also, refer to the regulation at 43 CFR 3102.5-1(f). The Act prohibits the Secretary from issuing an oil and gas lease or approving an assignment or transfer of an oil and gas lease to any entity that has failed or refused to comply with reclamation requirements until such time the non-compliance is resolved to the satisfaction of the AO. The AO notifies the SO when entities are potentially eligible for listing in Section 17(g). The SO will determine if the entity meets the requirements for listing, and prepare the notification letters to the affected parties; the SO will sign the notification letters and distribute as appropriate to SO staff that are responsible for processing leasing actions. The SO will then notify WO-310 to place the entity on the 17(g) list.